



# Fee policy statement

Effective August 1, 2023

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## I. PURPOSE

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In keeping with its fiduciary responsibility to ensure that program costs are reasonable, the Savings Plus Program (“Savings Plus”, “Program”, or “Plan”) adopted this Fee Policy Statement (the “Statement”) as a resource that describes the revenue and expenses that make up its operating budget as well as all other fees and expenses charged to Savings Plus participants. The Statement also highlights certain procedures that Savings Plus may use to periodically review Plan revenue, expenses, and other related costs and to disclose that information to Plan participants.

Nothing in this Statement should be construed as an amendment to the terms of any Savings Plus agreements, nor is it made part of any other governing document for Savings Plus. This Statement is not intended to and does not create any responsibilities, obligations, or duties beyond what is otherwise required under applicable laws and regulations. Savings Plus may amend this Statement at any time, subject to the approval of the CalHR Director or designee.

## II. REVENUE

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Savings Plus does not receive any operating subsidy from the General Fund of the State of California. As with other state programs, Savings Plus' budget is within the purview of the California Department of Finance, which must approve the Program's spending authority based on the Program's projected expenses. However, because Savings Plus is self-funded, any change to the Program's spending authority does not impact the state's current budget.

The costs of administering the Savings Plus 457(b) Plan and 401(k) Plan (collectively, the "Main Plan") are funded through participant administrative fees, securities lending income, and interest on the Program's cash balance in the State Treasury. The costs of administering the Savings Plus Part-time, Seasonal, and Temporary Employees Retirement Program ("PST Program"), a mandatory retirement savings program authorized by state and federal law for employees who are not covered by a retirement system or Social Security, are funded through an administrative expense reimbursement charged against Short Term Investment Fund - PST ("STIF-PST") assets, employer-paid fees, and interest on the PST Program's cash balance in the State Treasury. Savings Plus is required under state regulations to determine the cost of Plan administration and to collect fees as it deems equitable to assure the Program does not operate at a sustained deficit. Savings Plus conducts an annual review of its budget and projected revenue to ensure it has sufficient spending authority and income to cover its projected expenses. Savings Plus may adjust participant administrative fees as needed to ensure adequate income for Plan administration. Additionally, if the Plan's fund reserve exceeds its annual operating budget, approved by the Department of Finance, Savings Plus performs further analysis to determine whether action is necessary to reduce the excess fund reserve.

This section describes the three categories of revenue that Savings Plus collects to fund the administration costs for the Main Plan and PST Program: 1) participant administrative fees, which includes a per capita administrative charge and an asset-based fee assessed against all Main Plan accounts and an administrative expense reimbursement fee charged against STIF-PST assets, 2) additional revenue sources not charged to participants; and 3) PST Program employer fees.

### **Participant Administrative Fees**

The primary source of revenue for Savings Plus is participant administrative fees. As of April 1, 2022, each Main Plan account is assessed a \$6.00 quarterly administrative charge and an annualized asset-based fee of 4 basis points (0.04%) assessed at 1 basis point (0.01%) quarterly on the first \$600,000 of participant account balances. As of July 1, 2022, the STIF-PST fund includes a 30 basis point (0.30%) administrative expense reimbursement fee, which is netted against fund performance.

### **Non-Participant Revenue**

The Main Plan earns revenue through its securities lending program, under which portfolio holdings are loaned to third-party borrowers in exchange for non-cash collateral. Borrowers pay a fee to Savings Plus to borrow certain securities held in the portfolio, which generates additional revenue for the Program.

Since the PST Program does not participate in securities lending, it does not earn revenue through the securities lending program.

Additionally, a negligible percentage of the Main Plan and PST Program operating income comes from interest on the Program's Surplus Money Investment Fund accounts at the State Treasury. These accounts hold the revenue on deposit, and all Main Plan and PST Program expenses are paid from their respective accounts.

### **PST Program Employer-paid Fees**

The PST Program is funded primarily through employer-paid fees. As of July 1, 2022, State departments are charged a \$4.90 monthly flat fee (\$2.45 for semi-monthly payroll) for each PST Program employee with active payroll deductions.

### III. DIRECT PROGRAM EXPENSES

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The Savings Plus Program is a public retirement system within the meaning of Article XVI, Section 17 of the California Constitution. Accordingly, Plan assets must be held for the exclusive purposes of providing benefits to Plan participants and their beneficiaries and defraying reasonable expenses of Plan administration. As a governmental plan, Savings Plus is not bound by the Employee Retirement Income Security Act of 1974 (“ERISA”). However, given that the fiduciary standards that apply under the California Constitution are similar to ERISA fiduciary standards, Savings Plus may use ERISA standards as guidance and best practices in reviewing Plan expenses.

This section describes the direct expenses paid by Savings Plus. Direct expenses are defined as fees, salaries, administrative and operational costs, and other expenses paid by the Plan directly from its budget. Savings Plus conducts an annual review of its budget to ensure these expenses are reasonable and prudent.

#### **Internal Operating Expenses**

Savings Plus incurs expenses for personnel, benefits, facilities, office supplies, and other standard operating costs.

Plan’s budget, such as investment managers, Trustee/Custodian, and transition managers, are discussed in the Indirect Program Expenses section of this Statement.

#### **Service Provider Fees**

A service provider is an entity that provides services to the Plan and is paid directly from the Plan’s budget. These service providers include, but are not limited to, recordkeeping and administrative services, auditing, investment consulting, insurance coverage, legal, and other services provided to the Plan. Service providers that are not paid directly from the

Savings Plus may periodically review current service provider fees, including a review of disclosures provided by the service providers. Similar review procedures may be applied to prospective service providers with respect to proposed fees.

### IV. INDIRECT PROGRAM EXPENSES

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This section describes the indirect expenses associated with administering Savings Plus. Indirect expenses are defined as fees and other costs that are paid from participant assets, but that are not part of Savings Plus’ operating budget.

#### **Investment Management Fees**

The Plan’s investment options indirectly incur investment management fees, which are netted against the fund performance returns reported on the Investment Performance Reports. The Plan’s Investment Committee (“Committee”) is authorized to review investment management fees periodically, pursuant to the Investment Committee Charter and other governing documents. The Committee may also periodically review disclosures provided by current investment managers regarding fees and performance.

receiving and holding Plan assets, daily valuation and accounting, daily trading and the settlement of trades, execution of the Savings Plus Securities Lending Program for certain assets under a limited and risk-controlled policy, and certain investment compliance monitoring functions. Each investment option indirectly incurs trustee/custodial fees.

#### **Transition Management Fees**

Savings Plus contracts with transition management companies that specialize in moving assets when Savings Plus replaces investment managers or changes its fund structure. When Savings Plus uses the services of a transition management firm, the firm charges a commission for each trade performed. These commissions are netted against the performance of the fund.

#### **Trustee/Custodial Fees**

Savings Plus contracts with a Trustee/Custodian whose responsibilities include, but are not limited to,

## V. PARTICIPANT-PAID ANCILLARY SERVICES

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This section describes fees paid by participants for ancillary services. Savings Plus does not receive any income from such fees, which are deducted from participant accounts, as described below.

### **Participant-Directed Fees**

Participant-directed fees are charged to participant accounts for services such as loan initiation, Qualified Domestic Relations Order (QDRO), check, overnight, and ACH loans insufficient funds. These fees, which are paid to the Third Party Administrator, are determined based on the reasonable administrative expense of providing the services for these transactions.

### **Enhanced Services Fees (Main Plan Only)**

Enhanced services fees, such as a self-directed brokerage option and professionally managed

accounts, are negotiated with the service providers and reviewed periodically by the Plan and the Plan's investment consultant. These enhanced services are not available for the PST Program.

### **Short Term Trade Fee (Redemption Fee)**

Investments subject to the Savings Plus Excessive Trading Policy charge a redemption fee if the units are sold within a specified period of purchasing the units. Such fees flow back into the unit value of the affected funds.

## VI. COMMUNICATION OF FEES TO PARTICIPANTS AND ALL ELIGIBLE EMPLOYEES

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Savings Plus provides Main Plan participants and all eligible employees with an explanation of Plan-related fees through an annual fee disclosure, which is also available on the Program's website. In addition, Savings Plus discloses investment management fees for Main Plan investment options in a quarterly Investment Performance Report, which includes a disclosure of the expense ratio associated with each investment fund and is currently based on the model fee disclosure format applicable to ERISA plans. The Investment Performance Report is also available on the Program's website.

Main Plan participant account fees and participant-directed fees are included in quarterly participant statements, which are delivered by mail or electronically, based on the participant-selected delivery method. The statements show the dollar amount of Plan-related fees deducted from individual participant accounts. Statement delivery includes a quarterly Investment Performance Report.

PST Program participant-directed fees are included in annual participant statements, which are delivered by mail or electronically, based on the participant-selected delivery method. The statements show the dollar amount of Plan-related fees deducted from individual participant accounts. PST Program participants also receive a copy of the PST newsletter, which includes a disclosure of the expense ratio associated with the STIF-PST. The PST Fund Fact Sheet, which participants may access via their online account, also includes a disclosure of the expense ratio.

## VII. APPROVAL BY CALHR

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CalHR approves this Fee Policy Statement adopted by Savings Plus.

The undersigned hereby acknowledges and approves the foregoing Savings Plus Fee Policy Statement in its current form effective as of August 1, 2023.

/s/Eraina Ortega

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**Eraina Ortega**  
CalHR Director

08/16/2023

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**Date**